

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Egypt

## Sugar Annual Report

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**Report Highlights:**

In 2012/2013 total sugar imports are forecast at 1,150 TMT compared to 1,430 TMT in MY 2011/2012. The decrease in imports is due to relatively high 2011/2012 ending stocks totaling 350 TMT. Consumption is expected to increase to 2,950 TMT based largely on population growth.

## Commodities:

### Sugar

#### Area Planted

**Cane:** Total cane area harvested for centrifugal sugar in 2012/2013 is forecast at 112,000 HA, unchanged from the previous year. Government's sources are expecting no increase in total cane area planted for the coming five years due to Government's policy to encourage farmers to grow beet over cane to conserve water. Cane is the main source for refined sugar. It is also the main source for molasses industry and the by-products from crushing are used as raw materials in the plywood and paper pulp industries. Cane is cultivated in Upper Egypt in a narrow strip on both banks of the Nile River. Cane is planted in two seasons the spring season and the autumn season. Spring season planting starts during February and March while autumn season planting starts during September and October. The crop takes 11 to 12 months to grow and sources estimate that one month on average is needed to harvest 16,000 fedan (6,720 HA).

**Beet:** Total beet area harvested for 2012/2013 is forecast at 148,000 HA compared to 146,000 HA in the previous year. Beet is a relatively new crop in Egypt, as cultivation began in 1982, predominately in the Delta area. The government's aim is to increase the area planted and yield of beet due to the fact that it is less water consuming than cane and Egypt is currently facing limitations on water resources. Beets are planted in August and September and harvested in March. By-products from the refining process of beet are used to produce animal feeds.

#### Production

In MY 2012/2013, total raw sugar production is forecast at 2,010 TMT compared to 1,980 TMT in previous year. Raw sugar production from cane and beet is forecast at 1,100 TMT and 910 TMT respectively. The expected slight increase in production is due to the increase in sugar cane utilized for centrifugal sugar, rather than for juice and direct consumption. Farmers will act favorably to the increase in prices offered by the state-owned processors which is expected to increase next year. Cane processing is monopolized by the public sector Sugar and Integrated Industries Company (SIIC), which is responsible for providing white sugar to the ration card suppliers. Beet processing is handled through five different processors that each cover different provinces (see table 1 below). It is expected that in one year a new beet processor, Alexandria Sugar, will commence operations with an expected production capacity of 120-140 TMT.

Table (1) Beet Sugar Producers	
Company	Production
Delta Sugar	250-350 TMT
Daqahlia Sugar	170-250 TMT
El-Fayoum Sugar	150 TMT
Nubaria Sugar	120 TMT
Nile Sugar	120-140 TMT

There is almost one million ton gap between consumption and production every year. The Government is trying to bridge this gap by vertical expansion of the cane crop to increase the productivity per fedan and horizontal and vertical expansion of the beet crop by increasing the area planted and productivity.

Sources estimate that one ton of cane from the farm to the refiner costs the farmer LE 200 (\$1= LE 6.02) and the Government buys the ton from farmers at LE 335. So, farmers are making profits equal to LE 135 which is the difference between the actual cost and the government's price. Sources also indicate that beet farmers are making more profits than cane farmers due to two different reasons. First, Cane crop is sold by its weight rather than its sugar content. Cane farmers prefer to sell their crops based on its weight not its sugar content. However, beet farmers sell their crop according to its sugar content.

Beet farmers receive additional payments equal to LE 27/ton for normal sugar content and LE 54 per ton for higher sugar content. These additional payments are added to the basic price per ton. Second, sugar processors usually encourage beet farmers to sell their crops earlier in the harvest season. Delivering the beet crops during the first 10 days of the refining process earns an added payment of LE100/ton which decreases by LE10 each 10 days thereafter.

The government buys the domestic sugar production through the state-run Sugar and Integrated Industries Company (SIIC). Under this arrangement Egyptian farmers are paid a portion of a fixed amount upon the delivery of cane and beet to the mills. The balance due is paid to farmers at the end of the season. Government manipulation of prices, combined with Egyptian farmers not needing to pay for irrigation, make cane and beet cultivation profitable.

### **Consumption:**

Sugar consumption is forecast at 2,950 TMT for the MY 2012/2013 compared to 2,850 TMT for the MY 2011/2012. Sugar consumption is driven by population growth which is increasing by 1.5 million people every year. White sugar is part of the ration card system under which the GOE provides a sugar ration to over 60 million of the 85 million Egyptian at low prices.

The GOE is also selling white sugar at the state-owned cooperative stores at reasonable prices that are less than market prices. White sugar prices are very volatile and sensitive in Egypt. Consumer prices for white sugar range from LE 5/kg to LE 7.5/kg while white sugar purchased under the ration card is LE 1.25/kg.

### **Trade:**

Egypt is bridging the gap between consumption and production through imports. Total imports are forecast to decrease in MY 2012/2013 at 1,150 TMT compared to 1,480 TMT in the previous year. The decrease in imports is due to the country's reserve ending stocks from the previous year that was 350 TMT. In MY 2011/2012 total imports has increased significantly at 1,480 TMT compared to 1,120

TMT in the previous year. This increase was due to the low ending stocks from the previous year that recorded 129 TMT. The current import tariff for white sugar and raw sugar are 10 and 2 percent respectively.

#### Stocks:

For 2012/2013, ending stocks are forecast at 160 TMT compared to 350 TMT in previous year. The GOE targets a level of strategic sugar stocks equal to at least 60 days of total consumption, or approximately 500 TMT, but often is not successful in achieving this level. Stocks are allowed to decline at the end of the marketing year, anticipating the new harvest.

#### Production, Supply and Demand Data Statistics:

Sugar, Centrifugal Egypt	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	529	529	129	129		350
Beet Sugar Production	755	755	945	900		910
Cane Sugar Production	1,075	1,075	1,080	1,080		1,100
Total Sugar Production	1,830	1,830	2,025	1,980		2,010
Raw Imports	1,000	1,000	1,300	1,350		1,020
Refined Imp.(Raw Val)	120	120	130	130		130
Total Imports	1,120	1,120	1,430	1,480		1,150
Total Supply	3,479	3,479	3,584	3,589		3,510
Raw Exports	550	550	400	389		400
Refined Exp.(Raw Val)	0	0	0	0		0
Total Exports	550	550	400	389		400
Human Dom. Consumption	2,800	2,800	2,850	2,850		2,950
Other Disappearance	0	0	0	0		0
Total Use	2,800	2,800	2,850	2,850		2,950
Ending Stocks	129	129	334	350		160
Total Distribution	3,479	3,479	3,584	3,589		3,510

Sugar Cane for Centrifugal Egypt	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	112	112		113		113
Area Harvested	111	111		112		112
Production	11,000	11,000		11,098		11,098
Total Supply	11,000	11,000		11,098		11,098
Utilization for Sugar	11,000	11,000		11,098		11,098
Utilization for Alcohol	0	0		0		0

Total Utilization	11,000	11,000		11,098		11,098
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Sugar Beets Egypt	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted		145		147		150
Area Harvested		144		146		148
Production		5,470		5,545		5,548
Total Supply		5,470		5,545		5,548
Utilization for Sugar		5,470		5,545		5,548
Utilization for Alcohol		0		0		0
Total Distribution		5,470		5,545		5,548